

## ***NEWS RELEASE***

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### **DeNUCCI SAYS MILLIONS LOST IN BOAT EXCISE TAXES BECAUSE OF LAX COLLECTION POLICIES**

State Auditor Joe DeNucci reported today that the state's ineffective system for collecting boat excise taxes has resulted in the loss of millions of dollars in potential tax revenue for Massachusetts cities and towns as well as the state government.

According to DeNucci's audit, more than 15,000 federally documented boats have not been reported to municipalities where they are moored or docked. This, combined with a lack of state and local coordination and efforts to collect these taxes, has resulted in cities and towns losing as much as \$30 million in boat excise taxes since 1997, with the state missing out on an estimated \$4.3 million in boat registration fees, in addition to sales taxes.

According to DeNucci's audit, 75 percent of the 162 communities reviewed with registered or documented boats did not collect any excise taxes for these vessels. DeNucci attributed this to a breakdown in intergovernmental cooperation, as well as an outdated and unrealistic tax structure. As a result, many municipalities have become discouraged by the system's ineffectiveness and have made only minimal efforts, at best, to collect the taxes.

According to DeNucci's audit, many boat owners who live in other cities and towns are evading the system by registering their boats in communities that do not collect excise taxes. For example, the audit found six cases of boats listed as being stored in Randolph and five in Cambridge – communities that do not collect boat excise taxes – by owners who live in communities that assess taxes.

Moreover, the Department of Fisheries and Wildlife's Director of Law Enforcement informed DeNucci's staff that there is a possible loss of excise tax revenue from 42,000 jet skis, snowmobiles and all-terrain and off-road vehicles that are registered with the state and eligible for excise tax collection. The director said he has not received requests from any communities for a list of those vehicles.

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DeNucci's audit attributed part of the problem to an outdated assessment system that is based on a boat's length and age rather than on the boat's book value, as is done with motor vehicle excise taxes. The audit also cited a lack of information sharing on boat ownership between the Department of Revenue and the Department of Fisheries and Wildlife.

"By not collecting all boat excise taxes to which they are entitled, some communities are foregoing much needed revenue to support essential services," said DeNucci. "The state must give cities and towns assistance and increased incentive to collect boat tax revenue by updating the fee structure and simplifying the system."

DeNucci also said a comprehensive, centralized database on boat ownership would help address homeland security issues regarding waterway access to sensitive sites such as airports, power plants and fuel storage facilities.

DeNucci noted that Boston and Springfield are taking steps to aggressively collect boat excise taxes as a source of new revenue.

"During these difficult fiscal times at the state and local level, we need to maximize all sources of potential revenue," concluded DeNucci. "The federal, state and local governments should work together to eliminate weaknesses and inequities that discourage the collection of boat excise taxes."